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RUEHAH/AMEMBASSY ASHGABAT 4079  
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RUEHLM/AMEMBASSY COLOMBO 0558  
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RUEHIL/AMEMBASSY ISLAMABAD 4284  
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ASTANA FOR ALMATY/USAID

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SUBJECT: EBRD OFFICIAL WANTS TO SEE POLICY SHIFT TOWARD  
UZBEKISTAN

Classified By: Political Officer Tim Buckley for reasons 1.4 (B,D)

11. (C) On May 27 emboffs met with Turan Oz, Alternate Director at the European Bank for Reconstruction and Development (EBRD), who is responsible for nine countries, including Uzbekistan. Oz, a Turkish citizen, expressed his "disappointment" with his organization's harsh stance toward Uzbekistan, which he sees as unproductive in promoting Western democratic values in the country. He said that the EBRD should find ways of reengaging Uzbekistan, particularly in order to counter what he sees as the growing influence of Russia and China. He was sure to mention Turkey as part of the West "since it is trying to achieve the same thing here." Oz lamented that "we never gave Uzbekistan a real chance," suggesting that it was unreasonable to expect major changes in a short period of time. He conceded that only a small minority within the EBRD share his views on outreach to Uzbekistan, and he noted the U.S. delegate in London is particularly harsh.

12. (C) Oz then shifted gears, noting that investors have good reason to be pessimistic about Uzbekistan. He recalled well-known horror stories in which the Government of Uzbekistan changed economic policies mid-stream and assessed punishing retroactive taxes on unsuspecting companies. Oz also cast doubt on the "rosy economic data" that is consistently published about Uzbekistan and elicited emboffs' opinions of how much genuine economic progress there has actually been. (Comment: Uzbekistan's economy has grown across all sectors, but it is a case of impressive percentages on a small base. The comprehensive reforms necessary for job growth have not occurred. End comment.)

13. (C) Oz stated that the EBRD in Uzbekistan has never recovered from the "disastrous" 2003 meeting in which President Karimov was publicly humiliated on his home turf. However, he said a fairly large local staff of 11 continues to administer a few long-standing projects, using Early Transition Country (ETC) funds to focus on developing the private sector. The local office has not experienced any operational problems, but on the other hand Oz was not granted any meetings with the Government of Uzbekistan during

his visit -- standard treatment for EBRD visitors.

Comment:

14. (C) While we agree with Oz's inclination to find ways to reengage Uzbekistan, Oz struck us as being somewhat rudderless and unsure of how to proceed within his organization. His criticism of EBRD's stance was also unusual, and he seemed to speak more confidently about Turkey's role than about the EBRD. Perhaps his main purpose in meeting us was to pass the message that the U.S. representative on the EBRD is too critical of Uzbekistan in the hope we will exert influence to soften the stance. We are confident the modest rapprochement with the West can continue, but it is clear the EBRD remains in Karimov's doghouse and will be last in line to benefit from any warming trend.

NORLAND